



8011-01p
SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request Copies Available From:
Securities and Exchange Commission
Office of Investor Education and Advocacy
Washington, DC 20549-0213

Extension: Rule 15c3-4

OMB Control No. 3235-0497, SEC File No. 270-441

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) (the “Paperwork Reduction Act”), the Securities and Exchange Commission (the “Commission”) is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget (“OMB”) for extension and approval.

Rule 15c3-4 (17 CFR 240.15c3-4) (the “Rule”) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (the “Exchange Act”) requires certain broker-dealers that are registered with the Commission as OTC derivatives dealers, or who compute their net capital charges under Appendix E to Rule 15c3-1 (17 CFR 240.15c3-1) (“ANC firms”), to establish, document, and maintain a system of internal risk management controls. The Rule sets forth the basic elements for an OTC derivatives dealer or an ANC firm to consider and include when establishing, documenting, and reviewing its internal risk management control system, which are designed to, among other things, ensure the integrity of an OTC derivatives dealer’s or an ANC firm’s risk measurement, monitoring, and management process, to clarify accountability at the appropriate organizational level, and to define the permitted scope of the dealer’s activities and level of risk. The Rule also requires that management of an OTC derivatives dealer or an ANC

firm must periodically review, in accordance with written procedures, the firm's business activities for consistency with its risk management guidelines.

The staff estimates that the average amount of time a new OTC derivatives dealer will spend establishing and documenting its risk management control system is 2,000 hours and that, on average, a registered OTC derivatives dealer will spend approximately 200 hours each year to maintain (e.g., reviewing and updating) its risk management control system.¹ Currently, four firms are registered with the Commission as OTC derivatives dealers. The staff estimates that approximately four additional OTC derivatives dealers may become registered within the next three years. Thus, the estimated annualized burden would be 800 hours for the four OTC derivatives dealers currently registered with the Commission to maintain their risk management control systems,² 2,666 hours for the four new OTC derivatives dealers to establish and document their risk management control systems,³ and 400 hours for the four new OTC derivatives dealers to maintain their risk management control systems.⁴ Accordingly, the staff estimates the total annualized burden associated with Rule 15c3-4 for the eight OTC derivatives dealers will be approximately 3,866 hours annually.

¹ This notice does not cover the hour burden associated with ANC firms, because the hour burden for ANC firms is included in the Paperwork Reduction Act collection for Rule 15c3-1, which requires ANC firms to comply with specific provisions of Rule 15c3-4 in Appendix E to Rule 15c3-1. See 17 CFR 240.15c3-1(a)(7)(iii), 17 CFR 240.15c3-1e(a)(1)(ii), and 17 CFR 240.15c3-1e(a)(1)(viii)(C).

² (200 hours x 4 firms) = 800.

³ (2000 hours x 1.333 firms) = 2,666.

⁴ (200 hours x 4 firms x / 2) = 400 {the number is divided by two to show an average, since it is assumed that the four new OTC derivatives dealers will register in even intervals over the three years}.

The staff believes that the cost of complying with Rule 15c3-4 will be approximately \$279 per hour.⁵ This per hour cost is based upon an annual average hourly salary for a compliance manager who would be responsible for ensuring compliance with the requirements of Rule 15c3-4. Accordingly, the total annualized cost for all affected OTC derivatives dealers is estimated to be \$1,078,614.⁶

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

The Commission may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the Paperwork Reduction Act that does not

display a valid OMB control number.

⁵ The \$279 per hour salary figure for a compliance manager is from SIFMA's Management & Professional Earnings in the Securities Industry 2011, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

Comments should be directed to Thomas Bayer, Director/Chief Information Officer,
Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way,
Alexandria, Virginia 22312 or send an email to: PRA_Mailbox@sec.gov.

Kevin M. O'Neill
Deputy Secretary

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(..continued)
6 3,866 hours x \$279 per hour = \$1,078,614.